

Department of Workforce Development  
Division of Workforce Solutions  
Administrator's Memo

NOTICE 03-04

DATE: February 10, 2003

DISPOSAL DATE: On-going

RE: W-2 PURCHASE OF  
SERVICE/SUBCONTRACTING

To: W-2 Agency Directors

From: Ronald F. Hunt  
Deputy Division Administrator

Mary C. Rowin  
Deputy Division Administrator

This Administrator's Memo includes the revised Chapter B7 'Purchase of Service' for the W-2 Financial Management Manual. Attached to the manual material is the *Model W-2 Subcontract* format and the *Subcontract Log* form. These documents replace the Manual material dated April 1997. With these revisions, the Department of Workforce Development will be in compliance with the Legislative Audit Bureau's (LAB) audit recommendations from their audit of W-2 agencies in 1999-2000. These revisions were developed and revised through consultation with the Department's Legal Counsel and Bureau of Procurement and the Wisconsin Works (W-2) Contract and Implementation Committee.

### **Background**

The LAB in their audit of the W-2 program expressed concern over the program monitoring conducted by the Department. One of their areas of focus was subcontracting. LAB's audit report [<http://www.legis.state.wi.us/>] specified that the subcontracts reviewed did not meet the standards established in the Department's written material. It appeared the Department had not monitored these subcontracts against its written material. LAB specifically noted that the subcontracts they reviewed frequently did not define the services being purchased by the W-2 Agencies or specify the unit costs for these services. To address these concerns, the W-2 Financial Management Manual material was revised.

### **Manual Material Revisions**

This material reflects several changes. First, a subcontract is required to contain minimum liability coverage of one million dollars (\$1,000,000) found on Page 2, Section IV. 'Indemnity and Insurance' of the *Model W-2 Subcontract*. The Department's Legal Council and Procurement office recommended this provision to protect both the W-2 agency and the Department from financial risk if they were sued for bodily injury and property damage as a result of subcontractors conducting business. Second, the *Manual* presents conditions that distinguish between purchasing from individuals or businesses who provide services or items to conduct the Agency's business vs. purchasing from individuals or businesses that provide services that support the Agency's W-2 program (Page 3, D. 'Conditions of Subcontracting' of the *Manual* material). These purchases must follow the Agency's governing boards approved procurement policies, the purchase should not exceed \$10,000 and the purchase can not be a serial purchase.

Third, the W-2 Agency must provide a list of all current subcontracts to DWD's Contract Manager within ten (10) business days after each calendar quarter of the Contract period. This listing must include all of the elements contained in the "W-2 Subcontract Log" form that is attached to this Manual material. A Subcontracting Log will be forwarded to the W-2 Agency the last working day of the quarter for the Agency's reference. The Contract Manager will acknowledge to the W-2 agency the receipt of a subcontract forwarded to regional office for approval. These changes are found in *Manual* on Page 4, E. "Technical Procedures".

This *Manual* material will be effective upon publishing this Administrator's Memo. Agencies were alerted to these changes and they would be in effect during the contract period of CY 2002-2003.

Any questions regarding this policy revision should be directed to the Department's Contract Manager.

REGIONAL OFFICE CONTACT: Area Administrator (Department's Contract Manager)

Attachments